

TAB

SECTIONAL ANALYSIS OF THE PRINCIPAL CHANGES TO RETIREMENT ACT
THAT ARE PROPOSED BY CSC BILL AND WHICH ARE OF CONCERN TO CIA

SECTION	PROPOSAL	COMMENT
TITLE I Section 2 (Coverage)	<p>a. Three years continuous civilian service would be required before coverage could be gained under Civil Service retirement (beginning 1 January 1956). [See Sections 30 and 31, Title II and Section 40, Title III, pages 7-8]</p> <p>b. Employees under Retirement Act on 31 December 1955 would retain coverage unless separated 30 days.</p>	<p>a. Except for employees performing service excluded from Retirement Act (e.g. contract employees, etc.), civilian employees are currently covered automatically upon appointment. Enactment of proposal would require all newly appointed staff personnel to be under Social Security for first three years.</p> <p>b. Savings clause would permit retention of Civil Service retirement coverage by staff personnel on duty 31 December 1955; however, staff personnel with less than 3 years continuous service who were re-employed after 30 days separation would lose such coverage, until they completed 3 years continuous service. Separations of less than 30 days would not break continuity of service.</p>
Section 4 (Deductions and Deposits)	<p>a. Deductions would consist of: 3 1/2% of first \$4200 6% of remainder</p> <p>b. On all deposits and redeposits, interest would be charged during periods of separation.</p>	<p>a. Current rate of retirement deductions is 6%. The combined payroll deductions for Civil Service retirement and Social Security would be 5 1/2% on the first \$4200, of an employee's salary. (Until 1960, the employee's share of Social Security taxes is 2%.)</p> <p>b. Currently, a deposit must be made into Retirement Fund by an employee to have creditable service, not covered by</p>

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Section 5 (Mandatory Separation)	An employee would be separated at age 70 regardless of years of service.	deductions, fully counted without a reduction in annuity, and a redeposit must be made covering all periods covered by a refund in order to have the service credited. Interest is now charged for only those periods in which an employee was in the Federal service subsequent to the periods of creditable service covered by deposits or redeposits. The charge could amount to a substantial payment in individual cases if interest were charged for all periods of separation and his period of separation consisted of several years. The Retirement Act now requires mandatory separation at age 70 only if the employee has 15 years of service. (The bill still retains, however, the basic requirement that an employee must have at least 5 years civilian service to obtain an annuity.)
Section 6 (Immediate Retirement)	Employees engaged in criminal investigation would be retired at age 50 with 20 years service <u>only if Federal agency certifies retirement is in public interest.</u>	Currently, a Federal agency must recommend retirement but certification "in public interest" is not required. Proposed change would tighten criteria for such accelerated retirement and would require as the justification for an employee's retirement that it is in the interest of the Government, rather than the individual.
Section 7 (Disability Retirement)	Disability applications could be filed up to one year after separation.	Currently, applications must be filed, with certain exceptions, within six months after separation.

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<p>Section 9 (Computation Employee Annuity)</p>	<p>a. Any employee who retires for disability or who retires with right to immediate annuity would be eligible to elect a survivor benefit for spouse, by taking a reduction in his own annuity.</p> <p>b. Any unmarried employee who retires in good health with right to immediate annuity would be eligible to elect survivor benefit for a named person, by taking a reduction in his own annuity.</p> <p>c. A minimum annuity benefit would be guaranteed to employees retiring for disability with 10 years service amounting to the smaller of (1) 40% of average salary (used in computation of annuity i.e. 5 highest years) or (2) the sum obtained after increasing employee's total service by period between separation and 60th birthday.</p> <p>d. If employee gains Social Security benefits as result of becoming fully insured solely because of Federal service, his retirement annuity would be decreased at age 65 in the following manner. The years of creditable service would be multiplied by the sum of: (1) If average salary under \$3200 2% of first \$800 1% of next \$800 1/2 of 1% of remainder</p>	<p>a. Whereas the law currently limits election of such a benefit to those retirees who have at least 15 years service, the proposal would enable employees who retire at age 62 with 5 years service or who retire for disability after 5 years service to elect a survivor benefit for the spouse. No change in the formula for reduction of an employee's annuity is provided. The proposal is a significant liberalization in eligibility requirements for election of survivor benefits.</p> <p>b. This proposal would permit an employee entitled to immediate annuity to elect such a benefit if he has 5 or more years of creditable service but less than 15 years. The law now requires the 15 years service prerequisite. (Note: This option is unavailable to employees having a spouse or to employees retiring for a disability.</p> <p>c. The minimum payment to disability retirees (with 10 years service) is a new proposal. 10 years is construed to be evidence of the employee's desire for a Federal career, and the minimum payment seeks to mitigate the effects of a disability interrupting such a career.</p> <p>d. The proposed reduction at age 65 is in consonance with the fact that the retirees would receive a Social Security payment at age 65. Note that the decrease would not occur unless the Social Security pension is earned <u>solely</u> because of Federal employment.</p>

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Section 10 (Survivor Annuities)	Approved For Release 2005/11/21 : CIA-RDP78-03091A000100010024-2	
	<p>(2) <u>If average salary \$3200 or over</u> 1% of amount of salary up to \$5000 1 1/2% of remainder (Note: total annuity not to exceed 50% of average salary)</p> <p>a. Survivor benefits payable to spouse as result of election by retiree would begin immediately upon death of retiree and would not be terminated because of remarriage of survivor unless the remarriage occurred prior to age 55.</p> <p>b. The decrease in a retiree's annuity at age 65, due to Social Security coverage solely as the result of Federal service (see Section 9 above) would also be reflected in a survivor benefit paid as the result of election by the retiree.</p> <p>c. The following changes would be effected in the sections of the Retirement Act which provide (under specified conditions) for a survivor benefit to the spouse of an <u>employee</u> who dies in the Federal service or to the spouse of a <u>retiree</u> who does not elect a survivor benefit:</p> <p>(1) No survivor benefit would be paid to the widow of a <u>retiree</u> under age 50 with a child also eligible to receive benefits (under age 18)</p>	<p>a. Currently, survivor benefit elected by retiree does not commence until the survivor is age 50 and terminates upon remarriage at any time.</p> <p>(1) The law provides that a widow of a retiree who meets the requirements of law, including the survival of a child under age 18, may receive a survivor benefit, even though the retiree did not elect such a benefit. The benefit is only payable until the widow is age 50. The proposal would eliminate this arrangement, since the bill proposes that the retiree can elect, if he desires, a survivor benefit which is effective immediately.</p>

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- (2) The following changes would be effected in the provisions governing the payment of a survivor benefit to the spouse of an employee who dies in the Federal service:

- (a) minimum service of employee - 10 years
- (b) survivor benefits extended to dependent widower
- (c) survivor benefits terminate upon remarriage only if remarriage occurs prior to survivor becoming age 55
- (d) survivor benefits payable immediately upon death of employee.
- (e) when survivor reaches age 65, benefits would be reduced to 50% of employee's annuity as recomputed at age 65 if employee was fully insured under Social Security at time of death, solely because of Federal service.

- d. Children survivor benefits would be paid under Social Security Act, not the Retirement Act.

(Note: heretofore, a survivor benefit, by election of the retiree, did not commence until the survivor reached age 50.)

- (2) The following provisions in the current law are less liberal except the service requirement; however, survivor benefits under Social Security are guaranteed if the employee has 5 years service (See section 18, Title I, page 7).
- (a) through (e) below are keyed to (a) through (e) in the second column
 - (a) minimum service of employee - 5 years
 - (b) survivor benefits limited to widow
 - (c) survivor benefits terminate upon remarriage of widow at any time
 - (d) survivor benefits payable when widow becomes age 50
 - (e) no comparable provision in Retirement Act.

- d. Under the Retirement Act, the following benefits are now paid to surviving children of a retiree or an employee who dies in the Federal service with 5 or more years service, provided a widower does not survive the employee:

- (1) The benefit of each surviving child if widow and children survive is the least of the following sums:
- (a) 25% of the individual's annuity
 - (b) \$900 + by number of children, or
 - (c) \$360

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Section 11
 (Lump-Sum
 Benefits)

Employee would be permitted to obtain refund of retirement deductions plus interest regardless of length of service.

(2) The benefit of each surviving child if no widow survives is the least of the following sums:

- (a) 50% of the individual's annuity
- (b) \$1200 * by number of children; or
- (c) \$480

The annuity ceases when the child dies, marries or becomes age 18, and benefits are recomputed if the widow or any one or more children among those eligible ceases to be eligible for benefits.

Currently, an employee with 20 or more years of service cannot obtain a refund unless the employee transfers without a break in service to a position not covered by the Retirement Act, in which event he is entitled only to a refund (regardless of length of service).

Section 13
 (Reemployment
 of Annuitants)

a. The bill would provide that reemployed annuitants may be hired to serve at the will of the employing agency.

a. Currently, reemployed annuitants, age 60 and over must have special qualifications, as determined by employing agency. The proposal would eliminate this requirement and appears to permit reemployment of employees mandatorily retired.

b. Reemployed annuitants past age 60 who serve full-time 1 year or more would receive supplemental annuity based on period of reemployment and salary received (Original annuity would not be recomputed). No retirement deductions would be withheld, and the retiree's salary would be reduced by the amount of the annuity. Supplemental annuity payments would not be reflected in survivor payments.

b. The present law provides that reemployed retirees under age 60 will have their annuities suspended and retirement deductions resumed. Reemployed annuitants age 60 and over (1) receive their annuity (2) have their compensation reduced by a commensurate amount and (3) are not subject to deductions. The proposal would continue to prevent dual receipt of salary and annuity but would permit reemployment of retirees under conditions of (1) no retirement deductions and (2) add-

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tion of additional annuity. Moreover, the bill provides that annuity payments received during reemployment would not reduce the money in the individual's Retirement Account. The proposed arrangements would facilitate the reemployment of individuals who have retired.

Section 18
 (Savings Clause on
 Amount of Annuity)

The amount of combined benefits, i.e. retirement annuity and Social Security payments, for an individual in continuous service from 31 December 1955 to time of retirement would be at least equal to annuity he would receive if combination of Civil Service retirement and Social Security had not been effected.

This proposal in effect places Government employees under both Social Security and retirement. Those employees to be covered by the Retirement Act after acquiring 3 years continuous service would be initially under Social Security and after the conclusion of the 3 year period would be under both systems.

TITLE II
 Sections 30 and 31
 (Extension of
 Coverage)

Federal service subject to Civil Service retirement would also be covered under Social Security, beginning 1 January 1956.

The proposal is made to ensure a survivor benefit when an employee dies before he gains 10 years service, as would be required for a survivor annuity, pursuant to Section 10, Title I (See Section 10c(2) above, page 5).

Section 32
 (Social Security
 Status of Survivors)

If an employee dies after 5 years service but with less than 10 years, he would be deemed fully insured for the purpose of Social Security payments to survivors.

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SECTION	PROPOSAL	COMMENT
TITLE III Section 40 (Amendment of Internal Revenue Code)	The code would be amended to permit assessment of Social Security taxes on employees covered by Civil Service retirement.	
TITLE IV Section 50 (Effective Date)	The bill would become effective 1 January 1956.	